

**DISCLOSURE UNDER CAPITAL ADEQUACY FRAMEWORK 2015 OF NRB**  
As on 30th Ashwin 2076 (17.10.2019)

**I. CAPITAL STRUCTURE & CAPITAL ADEQUACY**

**Annexure-6**

<b>i. Core Capital (Tier I)</b>		<i>(Amount in Lacs)</i>
	<b>Particulars</b>	<b>Amount</b>
A	Paid-up Equity Share Capital	84,492.51
B	Share Premium	0.00
C	Statutory General Reserve	26,454.58
D	Proposed Bonus Equity Shares	0.00
E	Accumulated Profit/(Loss)	21,823.84
F	Capital Adjustment Reserve	124.63
G	Debenture Redemption Reserve	6,594.61
H	Other Free Reserve	3,151.03
I	Less: Deferred Tax Assets	-3,151.03
J	Less: Intangible Assets	-39.32
K	Less: Purchase of land & building in excess of limit and unutilized	0.00
L	Less: Investment in equity of institutions with financial interests	-1,888.89
<b>Total Core Capital (Tier I)</b>		<b>137,561.95</b>

<b>ii. Supplementary Capital (Tier II)</b>		<i>(Amount in Lacs)</i>
	<b>Particulars</b>	<b>Amount</b>
A	Subordinate Term Debt	5,600.00
B	General Loan Loss Provision	9,354.67
C	Investment Adjustment Reserve	0.00
D	Exchange Equalization Reserve	308.64
<b>Total Supplementary Capital (Tier II)</b>		<b>15,263.31</b>

<b>iii. Information about Subordinate Term Debt</b>		<i>(Amount in Lacs)</i>
1. 12.5% Nepal SBI Bank Debentures 2078 of Rs.1,000 each (Unsecured) issued on 12.02.2012 and maturing on 11.02.2022 of Rs. 4,000.00 lacs;		
2. 8% Nepal SBI Bank Debentures 2079 of Rs.1,000 each (Unsecured) issued on 03.02.2013 and maturing on 02.02.2023 of Rs. 4,000.00 lacs and		
3. 7.9% Nepal SBI Bank Debentures 2080 of Rs. 1,000 each (Unsecured) issued on 20.04.2014 and maturing on 19.04.2024 of Rs. 2,000.00 lacs.		
-	Outstanding Amount	10,000.00
	Fixed Maturity Period of 10 Years	
	Interest Payment - Half Yearly	
	At the time of liquidation, right of claims will be only after depositors	
	Redeemable and Non-Convertible	
-	Outstanding Balance of Redemption Reserve	6,594.61
-	Amount raised during the year	
-	Amount released during the year due to maturity	0.00
-	Amount Eligible to be reckoned as Capital Fund	3,405.39

<b>iv. Deduction Form Capital</b>		<i>(Amount in Lacs)</i>
	<b>Particulars</b>	<b>Amount</b>
	Deferred Tax Assets	-3,151.03
	Intangible Assets	-39.32
	Investment in NSMBL	-1,888.89
<b>Total</b>		<b>-5,079.24</b>

<b>v. TOTAL QUALIFYING CAPITAL</b>		<i>(Amount in Lacs)</i>
	<b>Particulars</b>	<b>Amount</b>
	Total Core Capital (Tier I)	137,561.95
	Total Supplementary Capital (Tier II)	15,263.31
<b>Total Capital Fund (Tier I + Tier II)</b>		<b>152,825.27</b>

<b>vi. Capital Adequacy Ratio</b>	
Capital Adequacy Ratio (Percentage)	13.69%

**vii. Summary of the bank's internal approach to assess the adequacy of capital to support current**

The Bank has Internal Capital Adequacy Assessment Process (ICAAP) Policy, which is revised every year to support current and future activities. The ICAAP review process is intended to ensure that we have adequate capital to support all the risks in business, to improve upon them over time and achieve better risk management techniques in monitoring and managing risks. ICAAP Committee meets at monthly intervals to review the internal capital assessment commensurate with the risk profile and review the portfolios which require capital charge. ICAAP Committee also reviews strengthening of risk management, applying internal limits, strengthening the level of provisions and reserves, and improving internal controls.

**2. RISK EXPOSURE**

<b>i. Risk Weighted Exposure for Credit Risk, Market Risk and Operational Risk</b>		<i>(Amount in Lacs)</i>
	<b>Particulars</b>	<b>Amount</b>
A	Risk Weighted Exposure for Credit Risk	1,005,277.25
B	Risk Weighted Exposure for Operational Risk	72,097.97
C	Risk Weighted Exposure for Market Risk	4,453.76
D	Add: 2% of the total RWE as per NRB Direction	21,636.58
E	Add: 2% of the Gross Income as per NRB Direction	12,809.44
<b>Total Risk Weighted Exposure (A+B+C+D)</b>		<b>1,116,274.99</b>

ii. Risk Weighted Exposure under each 11 Categories of Credit Risk			(Amount in Lacs)
S.No.	Categories	Amount	
1	Claims on Government and Central Bank	-	
2	Claims on Other Official Entities	-	
3	Claims on Banks	22,034.32	
4	Claims on Corporate and Securities Entities	649,859.79	
5	Claims on Regulatory Retail Portfolio	134,373.35	
6	Claims Secured by Residential Properties	15,264.80	
7	Claims Secured by Commercial Real Estate	2,859.83	
8	Past Due Claims	611.92	
9	High Risk Claims	42,403.87	
10	Other Assets	43,138.03	
11	Off Balance Sheet Items	94,731.50	
	<b>Total</b>	<b>1,005,277.41</b>	

iii. Amount of Non Performing Assets (Gross and Net Amount)					(Amount in Lacs)
	Particulars	Gross Amount	Provision	Net Amount	
A	Restructured	0.00	0.00	-	
B	Sub-standard	0.00	0.00	-	
C	Doubtful	0.00	0.00	-	
D	Loss	1,663.79	1,663.79	-	
	<b>Total</b>	<b>1,663.79</b>	<b>1,663.79</b>	<b>-</b>	

iv. Non Performing Assets (NPA) Ratios		Percentage (%)
- Gross NPA to Gross Advances		0.175%
- Net NPA to Net Advances		0.00%

v. Movement of Non Performing Assets					(Amount in Lacs)
S.No.	Particulars	Closing Balance (Ashwin End 2076)	Closing Balance (Ashadh End 2076)	Movement	
	<b>Non Performing Loan</b>				
1	Restructured Loan	0.00	0.00	0.00	
2	Sub-Standard	0.00	0.00	0.00	
3	Doubtful	0.00	0.00	0.00	
4	Loss	1,663.79	1,778.71	-114.92	

#### vi. Write Off Of Loans and Interest Suspense:

Nil

vii. Movement Of Loan Loss Provison and Interest Suspense					(Amount in Lacs)
Loan Loss Provision					
S.No.	Particulars	Closing Balance (Ashwin End 2076)	Closing Balance (Ashadh End 2076)	Movement	
1	Pass	9,354.67	8,737.34	617.33	
2	Watch List	594.64	641.93	-47.29	
3	Restructure	-	-	0.00	
4	Sub-Standard	-	-	0.00	
5	Doubtful	-	-	0.00	
6	Loss	1,663.79	1,778.71	-114.92	
	<b>Total Loan Loss Provision</b>	<b>11,613.10</b>	<b>11,157.98</b>	<b>455.12</b>	

viii. Interest Suspense					(Amount in Lacs)
S.No.	Particulars	Closing Balance (Ashwin End 2076)	Closing Balance (Ashadh End 2076)	Movement	
1	Interest Suspense	908	1,388	480	

ix. Details of Additional Loan Loss Provision			(Amount in Lacs)
S.No.	Particulars	Ashadh End 2076	
1	Pass	-	
2	Watch List	-	
3	Restructure	-	
4	Sub-Standard	-	
5	Doubtful	-	
6	Loss	-	
	<b>Total</b>	<b>0</b>	

**x. Segregation of the Bank's Investment portfolio**

Investments are segregated as per NRB Directive. Investments under various categories are as follows:

**A. Investment Held for Trading**

(Amount in Lacs)

S.No.	Particulars	Cost Price	Previous Market Price (A)	Current Market Price (B)	This Year Profit /Loss (B-A) Rs.	Previous Year Profit /Loss Rs.	Remarks
<b>Mutual Fund Investments:</b>							
1	782,999 Units NMB Sulav Investment Fund of Rs. 10 each fully paid	78.30	84.72	80.96	(3.76)	(5.72)	
	1,043,347 Units NIBL Sambriddhi Fund -I of Rs. 10- each fully paid	104.33	96.61	88.89	(7.72)	(9.29)	
	85,630 Units NIBL Pragati Fund of Rs. 10 each fully paid	8.56	6.37	5.80	(0.57)	(1.34)	
	200,000 Units Nabil Balanced Fund-II *** of Rs. 10 each fully paid	50.00	50.00	50.00	-	-	
2	1,500,000 Siddhartha Investment Growth Scheme-2 ** of Rs. 10 each fully paid	150.00	150.00	150.00	-	-	-
	<b>Total Investment</b>	<b>391.2</b>	<b>387.71</b>	<b>375.7</b>	<b>-12.05</b>	<b>-16.3</b>	<b>-</b>

**B. Investment Held to Maturity**

(Amount in Lacs)

S.No.	Particulars	Cost Price (a) Rs.	Impairment Till Date (b) Rs.	Impairment This Year (c) Rs.	This Year Profit /Loss (a-b-c) Rs.	Previous Year Profit /Loss Rs.	Remarks
1	Nepal Government Treasury Bills	43,357.16	-	-	-	-	
2	Nepal Government Other securities	89,379.50	-	-	-	-	
3	Foreign Bank Investment (Placement)	29,070.00	-	-	-	-	
4	Deposit Collection into NRB	-	-	-	-	-	
5	Placement into local Banks	-	-	-	-	-	
	<b>Total Investment</b>	<b>161,807</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	

**C. Investment Available for Sale**

(Amount in Lacs)

S. No.	Particulars	Cost Price Rs.	Previous Market Price(a) Rs.	Current Market Price (b) Rs.	This Year Investment Adjustment Reserve (b-a) Rs.	Previous Year Profit /Loss Rs.	Remarks
1	Shares, Debentures and Bond of Domestic Entity						
	Listed**	1,210.60	1,210.60	1,103.12	(107.48)	-	
	Not Listed*	124.35	-	-	-	-	
	<b>Total Investment</b>	<b>1,335</b>	<b>1,211</b>	<b>1,103</b>	<b>-107</b>	<b>-</b>	

\* No Investment Adjustment Reserve has been maintained for investment in Karja Suchana Kendra Ltd., Nepal Clearing House Ltd., and National Banking Institute as NRB Directive No 8/ 2073 has exempted maintenance of such reserve against such investments.

\*\* Valuation of listed shares has been taken lower of cost price or market price.

**3. RISK MANAGEMENT FUNCTION**

**i. Strategies and Policies**

Credit risk process is a joint effort between its marketing and credit areas. Credit officers are engaged in analyzing inherent risks in the customer's business, ability to repay and structure a facility that simultaneously accommodates the financing needs, while assuring seniority, protection and control of the bank's assets and collateral.

**ii. The Structure and Organization of the Relevant Risk Management Function**

A comprehensive Risk Management System has been ensured to deal with various types of risks. The risk management function is overseen by the Board of Directors through the Risk Management Committee of the Board (RMCB) and Audit Committee of the Board (ACB). Besides, there are Credit Risk Management Committee (CRMC), Asset Liability Management Committee (ALCO), Market Risk Management Committee (MRMC) and Operational Risk Management Committee (ORMC) for formulating and reviewing the risk management policies and monitoring their implementation in the matters related to credit, market and operational risks. The progress of the action implementation is reviewed by the Bank's Board, including review of the decisions of the Central Management Committee. The Bank has already migrated to Basel-II norms and the Capital to Risk Weighted Assets Ratio (CRAR) is also being worked out as per the guidelines of Basel-II. The Bank also plans to go for Operational Risk Management Solution software in near future for assessing the Operational Risk on an ongoing basis. To control, obviate and mitigate the operational risk, the Bank has put in place comprehensive operational guidelines and has also issued various manuals, such as Cash Module Manual, IT manual, Finacle Job cards, TFCPC manual, Internet Banking guidelines, Mobile Banking operational guidelines, Credit assessment and process guidelines for the operating units.

The Risk structures are being revisited at frequent intervals and the requisite policies, systems are being introduced and kept updated. For both credit and market risks, stress testing is being done regularly. With all branches on Core Banking Solution (CBS), Credit Information and MIS works on a robust platform. The Bank has direct access to the CIB database which have been allocated to our operating units/offices, enabling them to generate Credit Information Report on borrowers / prospective borrowers from this database. A MIS website is maintained by your Bank to provide easy access to the central database, which is being extensively used by the operating units.

The Bank has Integrated Risk Management Department headed by Chief Risk and Compliance Officer (CRCO) to strengthen the Risk Management structure, which includes assessing, identifying, monitoring and reducing pertinent business risk that could interface with the Bank's objectives and goal.

**iii. The Scope and Nature of Risk Reporting and / or Measurement Systems**

Risk reporting / measurement system is done through regular customer interactions, site inspections & annual reviews. These are continuous processes. Further, review of the bank's performance is conducted every quarter and findings are reported to the BOD.

**iv. Policies for Hedging and / or the mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges / mitigates**

Policies for mitigating risks & strategies are as outlined in the respective manuals and as discussed at various levels after customer interactions / visits, during annual reviews, quarterly reviews and at meetings at various levels.

**v. Eligible CRM (Credit Risk Mitigants)**

Particulars	Eligible CRM
Deposits with Bank	21,680.92
Deposits with other banks/ FI	-
Gold	-
Govt. & NRB Securities	-
Gtee of Govt. of Nepal	-
Sec/Gtee of other Sovereigns	-
Gtee of domestic banks	-
Gtee of MDBs	-
Sec/Gtee of Foreign Banks	-
<b>Total</b>	<b>21,680.92</b>